

The consequence of Brexit for your company

The die is cast. The Britons have chosen for a Brexit. That a Brexit will have consequences for business in and outside the UK is clear. Since it is the first time that a country will quit the European Union, the consequences are hard to predict. Everything will depend on the exit negotiations.

On 23 June the Britons have shaken everyone awake with an historic referendum. With a narrow victory, 51,9% of the UK choose to leave the European Union (EU). The Parliament now has to confirm the referendum and then the UK can start the negotiations to withdraw from the EU. Two years later at the latest, the divorce should be effective. This period can be extended provided that all member states agree.

During the negotiations concerning the withdrawal from the EU not much will change. Great Britain will remain a full EU member and all EU legislation remains applicable to all UK citizens and companies. This means free movement of goods and services.

On the other hand a period of insecurity is ahead. It is not clear what the result of the exit negotiations between the UK and the EU will be.

Tax impact of the Brexit

The tax implications of Brexit on direct taxes will especially be tangible for the provisions governed by directives in a European context to avoid double taxation (Mother-Daughter Directive, Interest and Royalty Directive, Mergers Directive).

For VAT purposes, due to Brexit the supply of goods from Belgium to the UK - and from the UK to Belgium - will become an export/import with import and export formalities (incl. import duties and import VAT). In other words, the VAT qualification intracommunity supply or acquisition of goods will no longer apply.

If the UK business community wants to retain the European tax advantages, it can transfer its head office to a European member state. It is not unthinkable that the UK will in the future install a new tax regime in order to create a tax friendly climate for foreign investors. Without being ahead of events, the UK could choose for the EEA-treaty (European Economic Area). This treaty is comparable with the EU-treaty. The EEA-treaty also knows the free movement of persons and capital. Also tailor made treaties are possible whereby separate issues are dealt with in separate treaties - as is the case with Switzerland.

Financial impact of the Brexit

Belgium is - after The Netherlands, Germany and France - the most important trade partner of the UK. If you have an exporting company, the exit from the EU can certainly have an impact. Since the outcome of the referendum the British pound devaluated with 12% compared to the euro. Everything the Britons import, will become 12% more expensive. Possible consequence is that they will import less, especially when Belgian companies do not adapt their prices. Probably the number of bankruptcies in Belgium will increase in 2018 with 2,5% due to Brexit (source: credit insurer Atradius).

But Brexit also means opportunities for Belgian companies. Foreign companies with free access to the European market will defer their view to the European continent. Belgium can benefit by getting involved in these investments.

Social impact of the Brexit

EU citizens have an automatic and illimited right to move and to work in another member state. Due to Brexit EU employees can be subject to the same conditions as migrating employees from outside the EU. UK employees who wants to work in Belgium, will have to have a valid long term work permit or residence permit.

One thing is sure. The future relationship between Europe and the UK is in the hands of the negotiators. And these negotiations take a long time. This does not mean that we do not have to closely monitor all developments and think about possible strategies.

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